UMZIMKHULU MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 27,and in appendix A,B,C,D,E(1) and E(2) in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 16 to 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

_____ _____

Municipal Manager **31 August 2007**

UMZIMKHULU MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2007

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Appendix A,B,C,D,E(1) and E(2)

The annual financial statements set out on pages 3 to 27, have been approved by the Municipal Manager and are signed. Refer to the 1st page.

UMZIMKHULU MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

NET ASSETS AND LIABILITIES	Note	2007 R	2006 R
Net Assets		**26 449 819**	**24008680**
Capitalization Reserves	1.1	0	0
Government Grant Reserve		13 998 839	14 887 877
Accumulated Surplus/(Deficit)		12 450 980	9 120 803
Non-current liabilities		**195 073**	**2 320 610**
Long term liabilities	24	195 073	2 320 610
Current liabilities		**45 893 242**	**4 318 581**
Provisions	3	0	131 770
Creditors	4	23 153 012	4 186 811
Conditional Grants and Receipts	2	14 968 922	0
Current portion of longterm liabilities	24	59 333	
Deferred charges		7 711 975	
Total Net Assets and Liabilities		***72 538 134***	***30 647 871***
ASSETS			
Non-current assets		**24 744 968**	**19 711 439**
Property, plant and equipment	6	24 744 968	15 985 105
Investments	7		3 726 334
Current assets		**47 793 166**	**10 936 432**
Consumer debtors	9	1 893 390	6 784 793
Other debtors	10	4 163 431	908 278
Current portion of long-term loans	8	0	122 941
VAT	10.1	4 320 891	2 118 709
Investments	7	36 419 493	
Bank balances and Cash	11	995 961	1 001 711
Total Assets		***72 538 134***	***30 647 871***

UMZIMKHULU MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE
F0R THE YEAR ENDED 30 JUNE 2007

Budget 2006 R	Budget 2007 R		Note	Actual 2007 R	Actual 2006 R
		INCOME			
5 000 000	1 229 660	Assessment Rates		1 229 716	908 595
19 111 279	1 199 909	Service charges		962 658	1 680 559
2 000 000	1 310 096	Fines		1 243 548	1 002 202
37 675 118	55 806 398	Government Grant & Subsidies		39 804 007	29 292 612
1 000 000	50 000	Interest on investments		244306	49 138
0	100 000	Interest on debtors		0	
0	78 042	Licenses and permits		25 943	
1 200 000	210 790	Rental income		305 786	277 915
5 446 933	2 890 865	Other Income		1 048 263	1 933 894
71 433 330	**62 875 760**	**Total Revenue**		**44 864 228**	**35 144 915**
		EXPENDITURE			
16 541 503	16 946 369	Employment related costs		10 956 888	12 710 523
2 764 401	8 723 057	Remuneration of Councilors		6 986 420	2 764 401
1 348 232	1 348 232	Depreciation		1 677 676	1 348 232
1 869 805	2 175 000	Repairs and maintenance		1 043 767	7157 456
28 581 575	0	Capital expenditure		0	9 505 694
19 201 863	33 555 446	General expenditure		9 801 628	10 175 155
1 125 951	0	Contributions		4 223 243	0
0	0	Bad debt written off		41 200	649 752
71 433 330	**62 748 104**	**Total Expenditure**		**34 730 822**	44 311 213
		Net Surplus/(Deficit) for the year		**10 133 406**	**(9166298)**
		Refer to Appendix E(1) for the comparison with the approved budget			

UMZIMKHULU MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Government Grant Reserve	Capitalisation Reserve	Donations and Public Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
2006					
Balance at 1 July 2006	-	17 944 933	-	2 746 019	20 690 952
Adjustments	-	-	-	-	
Restated balance	-	17 944 933	-	2 746 019	20 690 952
Surplus/(deficit) for the year				(9 318 629)	(9 318 629)
Stale cheques written off				10 098	10 098
Offsetting of depreciation	-	(1 348 232)	-		(1 348 232)
Balance at 30 June 2006	**-**	**16 596 701**	**-**	**(6 562 512)**	**10 034 189**
Adjustments: Prior year:	17 172 204	(16 596 701)	0	0	575 503
: Depreciation government grants	(2 284 327)	0	0	2 284 327	0
: Capitalization reserve	0	0	0	18 855 063	18 855 063
: Mistake surplus/deficit 2005/6	0	0	0	152 332	152 332
: Unknown deposits	0	0	0	1 550 430	1 550 430
: CMIP	0	0	0	270 767	270 767
: IGG	0	0	0	151 910	151 910
: MSP	0	0	0	1 702 328	1 702 328
: TLC structure plan	0	0	0	4 938	4 938
: Constitutional development	0	0	0	1 047 440	1 047 440
: TLC let fund	0	0	0	1 276	1 276
: Depreciation	0	0	0	(1 675 694)	(1 675 694)
: Government grant reserve	0	0	0	(17 172 203)	(17 172 203)
: Prior year asset adjustment	0	0	0	(65 089)	(65 089)
: Testing centre fund	0	0	0	(323 398)	(323 398)
Unutilized project funds	0	0	0	10 676 641	10 676 641
V A T	0	0	0	(1 777 753)	(1 777 753)
Balance at 30 June 2006	**14 887 877**	**0**	**0**	**9 120 803**	**24 008 680**
:Nett surplus/deficit for the year	0	0	0	10 133 406	10 133 406
:Lease	0	0	0	19 710	19 710
:Depreciation deferred charges	0	0	0	81 967	81 967
:Grants used to purchase PPE	0	0	0	(7 793 942)	(7 793 942)
:Off setting depreciation	(889 038)	0	0	889 038	
	13 998 839	0	0	12 450 982	26 449 821

UMZIMKHULU MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007	2006
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers government and other		81 378 773	46 963 138
Payments made		45 911 687	44 311 213
Cash generated from/(utilized in) operations	19	35 467 086	2 651 925
Interest received		1 012 133	49 138
NET CASH FROM OPERATION ACTIVITIES		**36 479 219**	**2 701 063**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10 614 745)	
Increase in investments		(32 693 159)	1 275 356
Increase in government grant reserve		(889 038)	14 887 877
Deferred charges		7 711 975	
Decrease in capitalization reserve			(19 074 119)
NET CASH FROM INVESTING ACTIVITIES		**(36 484 968)**	**(2 910 886)**
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FLOW FROM FINANCING ACTIVITIES			
NET DECREASE IN CASH & CASH EQUIVALENTS		**(5749)**	**(209 823)**
Cash and cash equivalents at the beginning of the year		**1 001 709**	**1 211 532**
Cash and cash equialents at the end of the year		**R995960**	**1 001 709**

UMZIMKHULU MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 20-03), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year. GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 20
The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. CONTRIBUTIONS

Contributions reflected in the statement of financial performance consist of contributions to the leave reserve fund, working capital reserve (provision for bad debts).
Leave provision is calculated on the number of compoundable leave days outstanding as at the Balance sheet date, using the daily employment cost rate.

4.1 Government Grant Reserve.

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the government grant reserve equal to the government grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the usefull lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such items is transferred to the accumulated surplus/(deficit)

4. RESERVES (continued)

4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

5. PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	Years	*Other*	
Years			
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	0-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6. INVESTMENTS

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks, are stated at cost.
Where investment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.
On disposal of of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

8. REVENUE RECOGNITION

8.1 Revenue from Exchange Transactions

Service charges relating to refuse removal are recognized on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property , and are levied monthly.

Interest and rentals are recognized on a time proportion basis
.
Revenue from the sale of goods are recognized when the risk is passed to the consumer.

8.2 Revenue from non-exchange transactions

Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue arising from the application of the approved tariff of charges is generally recognized when the relevant service is rendered.

9. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has compiled with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

10. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents compromise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

11. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or s in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. COMPARATIVE INFORMATION

14.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

14.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

15 LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated aseful life. Lease payments are allocated between the lease finance cost and the capital repaymnt using the effective interest rate method. Lease finance cost are expensed when occurred.
Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

The Municipality as Lessor

Amounts due from lessees, under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

16. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenus in the year they become payable. The defined benefit funds, which are administeredon a provincial basis are actually valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

17. INVESTMENT PROPERTIES

Investment property which is property held to earn rental revenue or for capital appreciation is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost using the straight line method over the useful life of the property.

18. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

19. TRADE CREDITORS

Trade creditors are stated at their nominal value.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1. STATUTORY FUNDS		
1.1 Capitalization Reserve		
Implementation of GAMAP:		
Transferred to Capitalization Reserve	0	20 359 868
Offsetting of prior year Depreciation	**0**	(1 285 749)
Prior year adjustment	**0**	(18 855 073)
Balance at 30 June 2005	**0**	219 046
Reconcilliation of funds	0	1 129 186
Offsetting of current year depreciation		(1 348 232)
Balance 30 June 2007	**0**	**0**
2. CONDITIONAL GRANTS AND RECEIPTS		
Project Funds:		
FMG Fund	279 147	2 702
Integrated Development plan fund	146 529	184 568
Survey fund	727 088	720 010
Sports facility grant fund	2 243 355	8 118
Testing centre fund	0	0
MIG Fund	2 267 777	2 797
M.S.I.G Fund	415 015	440 878
DTLGA Council Chamber Grant	4 716 281	0
MAP Grant	2 548 349	0
Project Consolidate	1 125 381	0
Technical Support Grant	500 000	**0**
Pilot housing	0	(9 071)
Umzimkhulu housing project	0	460 653
Riverside housing project	0	579 253
Ibisi housing project	0	13 632
Clydesdale housing project	0	9 116
Umzimkhulu rural housing project	0	3 013
Riverside phase 2 housing project	0	(95 059)
TOTAL	**14 968 922**	**2 320 610**

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
3. CURRENT PROVISIONS		
Workmen	0	80 777
RSC Levies	0	50 993
Total Provisions	**0**	**131 770**
4. CREDITORS		
Trade Creditors	1109189	2 192 866
Unpaid cheques	0	593 945
Unknown deposits	1 551 844	0
Unutilized project funds	0	0
Drought Relief	1 400 000	1 400 000
Leave Provision	651 895	0
Housing Projects	18 371 167	0
Salary Control Creditors	68 916	0
Trade Creditors	**23 153 011**	**4 186 811**

5. CONDITIONAL GRANTS AND RECEIPTS

Conditional grants from other spheres of Government

CMIP	**Note 2**	**0**

See **Note 14** for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilized.

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

6. PROPERTY, PLANT & EQUIPMENT
30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Movable Assets	Other	Total
	R	R	R	R	R	R
Carrying values at 1 July 2006	**3 593 144**	**7 928 684**	**4 443 535**	**1 716 894**	**43 631**	**17 725 888**
Adjustment 2005/2006	**(2812100)**	**4 183 303**	**(2 714 814)**	**(1 716 894)**	**1 319 720**	**(1 740 785)**
Restated carrying values	**781 044**	**12 111 987**	**1 728 721**	**0**	**1 363 351**	**15 985 103**
Cost	1 594 991	14 113 889	2 042 301	0	4 887 437	22 638 618
Accumulated depreciation	(813 947)	(2 001 902)	(313 580)	0	(3 524 086)	(6 653 515)
Less Adjustment	0	0	0	0	(177205)	(177205)
Acquisitions	1 677 934	6 102 516	0	0	2 834 295	10 614 745
Capital under Construction	-	-	-	-	-	-
Depreciation	(24 015)	(755 005)	(79 344)	0	(819 311)	(1 677 675)
Carrying value of disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values At 30 June 2007	**2 434 963**	**17 459 498**	**1 649 377**	**0**	**3 201 130**	**24 744 968**
Cost	3 272 925	20 216 405	2 042 301	0	7 544 527	33 076 158
Accumulated depreciation	(837 962)	(2 756 907)	(392 924)	0	(4 343 397)	(8 331 191)

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

7. INVESTMENTS

	2007 R	2006 R
Unlisted		
Short-term investments/Financial Instruments		
Survey Account		720 010
I.G.G. Account		-
UMZIMKHULU Project Account 62023990907	1 288 556	460 653
Umzimkhulu IDP		184 568
UMZIMKHULU Pilot Housing		9 071
Testing Centre Account		11 551
Structure Account**36**		4 938
Mayoral Account		12 989
Sport Facility 62125140129	2 337 224	-
Reitvl/cly 62123938104	578 722	-
UMZIMKHULU Tourism Account		233 305
Umzimkhulu Rural/Disaster Account 62048701222	4 773 141	228 799
Riverside Project Account	835 272	579 253
Revolving Account		86 563
Wholesale Account		272 461
Ibisi Housing Project 62044980466	1 128 755	13 632
Clydesdale project Account	9 868 345	9 116
UMZIMKHULU Rural Housing Account		3 013
Riverside – Project Phase 2-62062571239	3 444 287	95 060
Council Dept A/c		11 922
Municipal Manager Account		4 359
MIG Grant Account 62123938055	2 197 591	2 797
FNB Call Account 62129237758	712 522	
Council Chamber account 62123938154	5 086 021	
MSIG 62127055045	413 307	
MAP 62123938089	2 330 235	
Project Consolidate	1 125 381	
CMIP	300 134	
Admin department		2 582
Community services		3 085
FMG grant a/c		2 702
Financial department		3 714
Infrastructure a/c		102 385
MSIG a/c		440 878
HR department		226 928
TOTAL	**36 419 493**	**3 726 334**

Council's valuation of unlisted investments
-Valued at net book values as above

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
8. LOANS RECEIVABLE		
Car Loans	0	122941

Car Loans
Senior staff is entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 4 years. The remaining balance is expected to be recovered in full within the next 12 months.

9. CONSUMER DEBTORS		
Refuse	3 551 731	2 576 489
Rates	6 153 739	5 278 354
Water	0	3 059 000
Sanitation	0	394 144
Less: Provision for bad debts	(7 812 079)	(4 523 194)
Total	**1 893 391**	**6 784 793**
Summary of Debtors for services		
Current (0 – 30 days)	98 634	168 841
30 Days	98 005	367 720
60 Days	249 998	28 257
90 Days	102 380	147 458
90 + Days	498 690	3 016 407
+120	2 504 023	2 300 950
Total	3 551 730	6 029 633
Less Provision for bad debts (40% of Total due)	2 547 482	(2 411 853)
	1 004 248	**3 617 780**
***Summary of Debtors for* Assessment Rates**		
Current (0 to 30 days)	98 162	
30 Days	97 323	
60 Days	96 803	
90 Days	509 734	
120 Days	5 351 717	
TOTAL	**6 153 739**	**5 278 355**
Less Provision for bad debts	5 264 597	2 111 342
	889 142	**3 167 012**
TOTAL NET DEBTORS	**1 893 391**	**6 784 793**

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
10. OTHER DEBTORS		
Payments made in advance	0	47 459
Funds	0	600 936
VAT	0	0
Overpayments	253 482	253 483
Staff Loans	0	6 400
Sisonke Debtors	490 815	0
Mislaid Deposits	76 109	0
Sundry debtors	3 343 024	
TOTAL NETT DEBTORS	**4 163 430**	**908 278**
10.1 VAT	**4 320 891**	**2 118 709**

.11. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:-

Current Account (Primary Bank Account)

FNB Bank – Ixopo Branch Account No.: 525 5573 0913	995 961	245 493
Other bank accounts		
CMIP Current account: A/C No.: 062 264 508		297 041
Riverside A/C No: 6203 1880 695		2 229
Ibisi Repr. Council A/C No: 6201 2555 837		-
FNB – UMZIMKHULU Project: A/C No: 6204 8699 550		55 607
FNB – Clysdale Project: A/C No.: 6204 4979 873		14 781
Ibisi Project: A/C No.: 6204 4979 261		7 377
Revolving Fund		0
FNB – Riverside Project: A/C No.: 6205 4525 492		300 438
Extension 5 & 6		64 802
Petty Cash		13 943
		756 218
Total Cash and Cash Equivalents (Favourable)	**995 961**	**1 001 711**

12. PROPERTY RATES		
Actual		
Total Assessment Rates	**1 229 716**	**908 595**
13. SERVICE CHARGES		
Sale of water	0	888 613
Refuse removal	962 658	676 149
Sewerage and sanitation charges	0	115 797
Total Service charges	**962 658**	**1 680 559**

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
14. GOVERNMENT GRANTS AND SUBSIDIES		
EXPENDITURE		
Equitable Share	29 615 056	26 344 940
District Municipality & Other Grants	0	2 894 813
FMG Fund	223 560	
IDP Fund	38 153	
Survey Fund	85 331	
Sport Facility Grant Fund	201 516	
MIG Fund	5 703 476	
MSIG Fund	783 219	
DTLGA Council Chamber Grant	1 677 934	
MAP Grant	1 472 072	
Testing Centre		
CMIP		
IGG Fund		
Seta Grant	3 690	
Total Government Grant and Subsidies	**39 804 007**	**29239753**
14.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community Members.		
14.2 IGG Fund		
Balance unspent at beginning of year	0	568 958
Correction 2005/2006	0	
Interest Received	0	2 154
Conditions met transferred to revenue	0	571 112
Conditions still to be met	**0**	0
14.3 FMG Fund		
Balance unspent at beginning of year	2 702	188 788
Current year receipts	500 000	0
Interest received	5	3 702
Conditions met transferred to revenue	223 560	189 788
Conditions still to be met	**279 147**	**2 702**

	2007 R	2006 R
14.4 IDP Fund		
Balance unspent at beginning of year	184 568	176 461
Current year receipts	0	0
Interest received	114	8 107
Conditions met transferred to revenue	38 153	0
Conditions still to be met	**146 529**	**184 568**
14.5 Survey Fund		
Balance unspent at beginning of year	720 011	68 689
Current year receipts	0	641 000
Interest received	92 408	10 322
Conditions met transferred to revenue	85 331	0
Conditions still to be met	**727 088**	**720 011**
14.6 Sport Facility Grant Fund		
Balance unspent at beginning of year	8 118	8 118
Current year receipts	2 400 000	0
Interest Received	36 753	0
Conditions met transferred to revenue	201 516	0
Conditions still to be met	**2 243 355**	**8118**
14.7 Testing Centre Fund		
Balance unspent at beginning of year	0	28 414
Prior year corrections 2005/2006	0	(11 551)
Restated Balance	**0**	16 863
Current year receipts	0	352 259
Interest received	0	447
Conditions met transferred to revenue	0	369 569
Conditions still to be met	**(0)**	**0**
14.8 MSP fund		
Balance unspent at beginning of year	0	1 702 328
Prior year corrections	0	(1 702 328)
Restated balance	**0**	**0**
14.9 TLC Structure Plan Fund		
Balance unspent at beginning of year	0	4 759
Prior year corrections	0	(4938)
Restated balance	0	
Current year receipt	0	0
Interest received	0	179
Conditions met transferred to revenue	0	0
Conditions still to be met	**0**	**0**

	2007	2006
14.10 MIG Fund		
Balance unspent at beginning of year	2 796	1 432 814
Current year receipts	7 892 406	0
Interest received	76 051	17 084
Conditions met transferred to revenue	5 703 476	1 447 102
Conditions still to be met	**2 267 777**	**2 796**
	R	R
14.11 MSIG Fund		
Balance unspent at beginning of year	440 878	0
Current year receipts	734 000	440 878
Interest received	23 356	0
Conditions met transferred to revenue	783 219	0
Conditions still to be met	**415 015**	**440 878**
14.12 TLC Let Fund		
Balance unspent at beginning of year	0	1 250
Prior year corrections	0	0
Restated Balance	**0**	**1 250**
Current year receipts	0	0
Interest received	0	26
Conditions met transferred to revenue	0	1 276
Conditions still to be met	**0**	**0**
14.13 Constitutional Development		
Balance unspent at beginning of year	0	1 047 440
Prior year corrections	0	(1 047 440)
Restated balance	0	0
Current year receipts	0	0
Conditions met transferred to revenue	0	0
Conditions still to be met	**0**	**0**
14.14 CMIP Grant		
Balance unspent at beginning of year	0	294 887
Prior year corrections	0	(297 041)
Restated Balance	**0**	**294 887**
Current year receipts	0	2 787
Conditions met transferred to revenue	0	633
Conditions still to be met	**0**	**0**
14.15 DTLGA Council Chamber Grant		
Balance unspent at beginning of year	0	0
Current year receipts	6 300 000	0
Interest received	94 215	
Conditions met transferred to revenue	1 677 934	0
Conditions still to be met	**4 716 281**	0

	2007 R	2006 R
14.16 MAP Grant		
Balance unspent at beginning of year	0	0
Current year receipts	4 000 000	0
Interest received	20 421	0
Conditions met transferred to revenue	1 472 072	0
Conditions still to be met	**2 548 349**	**0**
14.17 Project Consolidate		
Balance unspent at beginning of year	0	0
Current year receipts	1 100 000	0
Interest received	25 381	0
Conditions met transferred to revenue	0	0
Conditions still to be met	**1 125 381**	0
14.18 Technical Support Grant		
Balance unspent at beginning of year	0	0
Current year receipts	500 000	0
Conditions met transferred to revenue	0	0
Conditions still to be met	**500 000**	0
15. OTHER INCOME		
Unknown deposits	0	
Reversal of funds (prior year)	0	
Unpaid cheques	593 945	
Sundries	420 846	1 713 009
Building Plans & Servitudes	5 543	6 424
Cemetery fees	12 035	10 700
Advertising	0	1 322
Hall fees	12 102	87 625
CMIP	3 792	**0**
Total Other Income	**1 048 263**	**1 819 080**
16. EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Wages	8 635 858	
Employee related costs – UIF, pensions and medical aids	1 191 223	
Travel, motor car and other allowances	211 962	
Housing benefits and allowances	557 647	
Overtime payments	188 673	
Performance bonus	171 525	
Total Employee Related Costs	**10 956 888**	**15 474 924**

(The 2006 amount includes councillors remuneration to the amount of R2 764 401 see note 17)

	2007 R	2006 R
Remuneration of the Municipal Manager (appointed on the 1 November 2006)		
Annual remuneration – 8 months	433 325	
Remuneration of the Chief Financial Officer (appointed on the 1 May 2007)		
Annual remuneration – 2 months	80 989	
Remuneration of the Manager: Corporate Services (appointed on the 1 April 2007)		
Annual remuneration – 3 months	121 482	
Remuneration of the Manager: Traffic and Licensing		
Annual remuneration – 12 months	294 717	
Performance bonus	22 145	
	316 862	
Remuneration of the Manager: Planning and Housing (Exited service on 26 March 2007)		
Annual remuneration – 12 months	284 049	
Performance bonus	30 449	
	314 498	
Remuneration of the Manager: Technical Services (Appointed on February 2007)		
Annual remuneration – 6 months	242 968	

17. REMUNERATION OF COUNCILLORS

Executive Mayor	437 106	2 764 401
Chief Whip	346 251	
Speaker	352 941	
Executive Committee members	1 429 944	
Councillors	3 833 942	
Cell phone costs	586 236	
Total Councillors' Remuneration	**6 986 420**	**2 764 401**

In-kind Benefits

The Mayor, Speaker and three Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle for official duties.

	2007 R	2006 R
18. BAD DEBTS		
Contribution to the bad debt provision	3 288 885	649 752
19. CASH GENERATED BY OPERATIONS		
Net surplus/(deficit) for the year	10 133 406	(9 166 299)
Adjustment for:-		
Capital grants used to purchase PPE	(7 793 942)	0
Adjustment prior years		15 541 081
Conditional grants		(294 886)
Property Plant and Equipment		3 089 015
Lease	19710	0
Depreciation on deferred charges	81 967	0
Depreciation Government grants	889 038	0
Investment income	(1 012 133)	(49 138)
Interest paid		
Operating surplus before working capital changes:	**2 318 046**	**9 119 773**
(Increase)/decrease in consumer debtors	4 891 403	(974 631)
(Increase)/decrease in accounts receivable & other debtors	(3 255 153)	3 378 339
(Increase)/decrease in current portion long term loans	122 941	112 683
Decrease in provisions	(131 770)	0
Increase in conditional grants and receipts	14 968 922	0
Increase/(Decrease) in accounts payable & other creditors	18 966 201	(2 264 835)
Increase/(Decrease) in current portion of longterm liabilities	59 333	0
Increase/(Decrease) in longterm liabilities	(2 125 537)	(4 600 695)
Increase/(Decrease) in vat	(2 202 182)	(2 118 709)
Contribution to accumulated depreciation	1 677 675	
Asset adjustment	177 207	
Cash generated by operations	**35 467 086**	**2 651 925**
20. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for:	**9 259 338**	0
- Infrastructure	9 259 338	0
The expenditure will be financed from:		
- Government Grants	9 259 338	0
21. ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT		
21.1 Contribution to organised local government		
Opening balance	0	0
Council subscriptions	57 371	0
Balance unpaid	57 371	0
The subscriptions were paid during August 2007		
21.2 Audit fees		
Payments during 2006-2007	697 627	0
Outstanding	0	0
21.3 Pension and Medical Aid		
Although all payments has been made the amounts were not available on finalisation of the Statements. The figures will be included in the 2008 financial statements		

	2007 R	2006 R

22. FRUITLESS AND WASTEFUL EXPENDITURE

Date	Docket No.	Interest
2007/01/19	13719	319.08
2007/03/08	13871	104.13
2006/08/21	13230	85.91
2006/11/06	13582	73.40
2007/03/02	13773	763.13
2007/04/02	13885	523.31
2007/05/27	14109	701.72
		2570.68

23.INVESTMENT PROPERTY

Erven 231 and 232 (Hotel and House)
Commencement: 1 December 1995
Duration : 12 Years
Termination date: 30 November 2007
Payments : Monthly in advance

24. LEASES

COUNCIL AS LESSOR

24.1 Erven 229 , 735 and 736(Development of a shopping centre)
Commencement: 19th June 1996
Duration : 50 Years
Termination date: 18th June 2030
Payments : Year one 8 % of nett rentals
: Year two 9% of nett rentals
: Remainder 10% of nett rentals
Which together with the 2% payable to the Trust will not be less than R14,800.00 per year.

24.2 Erf 152 (Development of a shopping centre)
Commencement: 1 January 2002
Duration: 99 Years
Termination date: 31 December 2101
Payments: R2400 pm in advance
Total amount received for leases for the year R305 786

Council as lessee

24.3 Kyocera photocopier
Commencement: 2005/12/01
Duration: Indefinite
Termination date: One month written notice
Payments: R2965 payable in advance
Total amount paid for rent R35 580

	R
24.4 2005 Ford Territory 4.01 Ghia a/t	
Commencement: 2006/12/02	
Duration: 5 years	
Termination date: 2010/12/01	
Payments: R7789.48	
Total amount paid for the year	R93 473.64
Long term LIABILITY	
Lease liability	326 100
Adjustment prior years	(19 711)
Restated balance	**306 389**
Redemption 2006/2007	**(**51 983)
Balance	**254406**
Less current portion transferred to current receivables	59 333
Total	**195 073**

25 DEFERRED CHARGES:	
:Rondedraai access road	73 721
:Internal roads	288 844
:Nxaphana access road	488 969
:Zwelibanzi access road	579 553
:Sheba access road	906 393
:Seria access road	632 241
:Mthaleni access road	815 100
:Driefontein access road	686 826
:Makholweni access road	1 231 829
:Council chambers	1 677 934
:Epson LX 300 printer	1 532
:Munsoft financial system	300 000
:Network server	111 000
Total deferred charges	**7 793 942**
Less depreciation	81 966
Nett deferred charges	**7 711 976**

UMZIMKHULU MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	R	R
26. PRIOR YEAR ADJUSTMENTS:		
:Depreciation government grants	0	2 284 327
:Capitalization reserve	0	18 855 063
:Mistake surplus/deficit	0	152 332
:Unknown deposits	0	1 550 430
:CMIP	0	270 767
:IGG	0	151 910
:MSP	0	1 702 328
:TLC structure plan	0	4 938
:Constitutional development fund	0	1 047 440
:TLC let fund	0	1 276
:Depreciation	0	(1 675 694)
:Government grant reserve	0	(17 172 203)
:Asset adjustment	0	(65 089)
:Testing centre fund	0	(323 398)
:Unutilized project funds	0	10 676 641
: VAT	0	**(**1 777 753)
TOTAL		**15 683 315**

Due to the amount of information not reflected in the 2006 Annual Financial Statements it was necessary to alter the comparitive figures used in the 2006/2007 Annual Financial statements.